

ACTION  
OCA 67-2765

**OFFICE OF CONGRESSIONAL AFFAIRS**  
**Routing Slip**

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation	XX	
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs		X
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7. Admin Officer		
8. Executive Officer		
9. FOIA Officer		
10. Constituent Inquiries Officer		
11. <input type="text"/>		X
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SUSPENSE

**17 July 87**

Date

Action Officer:

Remarks:

**14 July 87**

Name/Date

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

**SPECIAL**

July 14, 1987

O/CONGRESSIONAL AFFAIRS
87-2965

LEGISLATIVE REFERRAL MEMORANDUM

OPA FILE LEG  
RECPT # \_\_\_\_\_

TO: Legislative Liaison Officer -  
Department of Health and Human Services-F. White-  
245-7760  
Department of State - L.Howdershell -647-4463  
Central Intelligence Agency ✓

**SUBJECT:** Proposed OPM letter to House Ways and Means Committee members on the proposed amendment to the "Windfall Benefit Elimination" provision affecting Federal employees who transfer to FERS.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

**A response to this request for your views is needed no later than Friday, July 17, 1987. The Committee is expected to act next week on this amendment.**

Questions should be referred to Hilda Schreiber (395-7362), the legislative analyst in this office.

*Naomi R. Sweeney*  
Naomi R. Sweeney for  
Assistant Director for  
Legislative Reference

Enclosures

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07/10/87

16:14

OPM - REG'L OPNS

NO. 011

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Office of the Director

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, D.C. 20415

Dear

I am writing to express my grave concern about the proposed amendment to the "Windfall Benefit Elimination" provision, which, I understand, is under consideration by the House Ways and Means Committee.

This amendment would modify the "Windfall Benefit Elimination" provisions of the Social Security Act for Federal employees who transfer to the new Federal Employees Retirement System (FERS) and become subject to Social Security. It would apply the regular Social Security computation formula after only five years of service under FERS, ignoring the 30-year test which is applied to all other workers who receive pensions both from Social Security and from employment not subject to Social Security. In my view, the amendment is bad public and fiscal policy.

It is bad public policy because it accords Social Security benefits to Federal employees on different terms from those applicable to other workers. Many state, local, and non-profit organization employees receive retirement benefits based on employment exempt from Social Security taxes in addition to benefits under Social Security. Only Federal employees could escape the "Windfall Benefit Elimination" after five years of FERS service; all others would have to meet the 30-year test.

The amendment is bad fiscal policy because it permits and indeed encourages "adverse selection" in the choice currently before Federal workers, between the old and new retirement systems. Such adverse selection will inevitably and unjustifiably increase Government expenditures. In 1987, a worker's Social Security benefit would be increased by \$1,860 per year by avoiding the "Windfall Benefit Elimination." The amendment provides no additional revenues to the Government, but it allows over two million Federal employees to exploit the transfer opportunity to maximize their retirement benefits (at Government expense) and provides additional Social Security benefits to those who would have transferred to FERS in any case. We conservatively estimate that the additional expenditures will total in excess of a billion dollars over the lifetime of the affected employees.

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OPM - REG'L OPNS

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Finally, the amendment will seriously disrupt the FERS open season now in progress. The additional benefits it provides are significant enough to affect fundamentally the decision on whether to transfer to FERS and thus, to render all of the informational materials and training that have been provided about the transfer decision obsolete. The Office of Personnel Management has devoted nine months' work and \$3 million to developing and disseminating open season information. Individual Federal agencies have also incurred major costs, though these have not been captured on a governmentwide basis.

The Administration worked closely with the Congress in developing the new Federal Employees Retirement System. Many concessions and compromises were made to arrive at a balanced system which treats employees equitably and which can withstand taxpayers' scrutiny. The deliberations included specific consideration of the Windfall Elimination provision which was left intact for the purposes of assuring that Federal employees did not enjoy special treatment or reap any "windfall" under Social Security and for reasons of fiscal restraint. These purposes are as valid today as they were then and there is simply no good reason for unravelling an agreement which was not easily attained.

I urge you to oppose this amendment. The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this letter.

Sincerely,

Constance Horner  
Director